

City of Oakridge

Public Safety Cost Analysis

The citizens of Oakridge voted not to pass the Public Safety levy.

- ▶ The City of Oakridge had a Public Safety levy on the ballot in November 2020 to help fund all Public Safety services that the City uses including Police, Fire, and Ambulance. The citizens stance on extra funding was made clear when the levy failed to pass. The failure to pass the levy requires that the City of Oakridge cut funding and therefor, reduce Public Safety services.

Plan for today

- I. Compare the total public safety cost in Oakridge to other cities our size
- II. Compare Police personnel costs to other cities our size
- III. Compare Fire personnel costs to other cities that employ full time employees in their Fire Departments
- IV. Explore the consequences caused by supporting a very high public safety cost
- V. Conclusion

The first step in preparing to reduce funding was to research other cities.

- ▶ In order to make the best decision on how to reduce expenditures, the City did research on nine other Oregon cities with a population within 500 of Oakridge (population 3,303).

▶ Aumsville	4,099	▶ Reedsport	4,082
▶ Sisters	2,643	▶ Bandon	3,100
▶ Burns	2,740	▶ Dundee	3,234
▶ Coquille	3,894	▶ Harrisburg	3,799
▶ Myrtle Creek	3,428	▶ Oakridge	3,303

Determine Public Safety cost

- ▶ It is important for us to understand how much other cities spend on public safety.
- ▶ From the Oregon Secretary of State website it is possible to access other cities audited financial statements.
- ▶ <https://secure.sos.state.or.us/muni/public.do>
- ▶ The financial statements were downloaded as PDF files and the Finance Director reviewed them to determine the public safety cost for each city.
- ▶ The goal was to understand how much each city spends on Police, Fire, and Ambulance.

Statement of Revenues, Expenditures and Changes in Fund Balance

City of Bandon Statement of Revenues, Expenditures, and Changes in Fund Balances For the Year Ended June 30, 2019

	Capital Projects			Debt Service		Other Governmental Funds	Total
	General	Urban Renewal District No. 1	Local Option Street	General Obligation Bond Debt Service	12th Court LID Debt Service		
REVENUES							
Taxes	\$ 1,304,639	\$ 321,313	\$ 424,433	\$ 230,402	\$ -	\$ 374,811	\$ 2,655,598
Licenses and permits	24,832	-	-	-	-	-	24,832
Intergovernmental	58,091	-	-	-	-	375,207	433,298
System development charges	-	-	-	-	-	142,122	142,122
Payments in lieu of taxes	444,253	5,329	4,927	3,610	-	2,480	460,599
Fines and police income	30,963	-	-	-	-	-	30,963
Special assessments	-	-	-	-	89,726	1,631	91,357
Grants	-	-	-	-	-	9,256	9,256
Interest	7,874	19,877	39,722	7,278	7,198	59,122	141,071
Reimbursements	435,803	-	-	-	-	-	435,803
Other	120,605	-	-	36,360	-	97,517	254,482
Total revenues	2,427,060	346,519	469,082	277,650	96,924	1,062,146	4,679,381
EXPENDITURES							
Current							
General government	904,827	3,603	-	-	-	1,907	910,337
Public safety	1,148,298	-	-	-	-	38,500	1,186,798
Highways and streets	165,563	-	-	-	-	246,067	411,630
Economic development	-	-	-	-	-	18,430	18,430
Culture and recreation	285,446	-	-	-	-	518,568	804,014
Capital outlay	-	43,968	851,138	-	-	214,771	1,109,877
Debt service							
Principal retirement	-	129,530	-	129,234	26,783	28,104	313,651
Interest	-	39,945	-	135,117	15,827	5,211	196,100
Total expenditures	\$ 2,504,134	\$ 217,046	\$ 851,138	\$ 264,351	\$ 42,610	\$ 1,071,558	\$ 4,950,837

- ▶ The Statement of Revenue, Expenditures and Changes in Fund Balances did provide a value to use.
- ▶ We are specifically looking for Police, Fire, and Ambulance costs though.
- ▶ Lets dig deeper in the financial statements and see if we can find more detail.

Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund

Here we can see the detail we were hoping for, Police and Fire each have an actual expenditure value.

The management's discussion and analysis located towards the front of the financial statements will sometimes provide more detail about what exactly is in Public Safety, in this case it didn't.

City of Bandon Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual General Fund For the Year Ended June 30, 2019

	Original & Final Budget	Actual	Variance
Public safety			
Police department			
Personal services	\$ 833,323	\$ 829,853	\$ 3,470
Materials and services	238,100	82,030	156,070
Capital outlay	4,500	21,005	(16,505)
Total police department	1,075,923	932,888	143,035
Fire department			
Materials and services	107,705	107,705	-
Total public safety	1,183,628	1,148,298	35,330
Highway and streets			
Materials and services	241,200	165,563	75,637
Culture and recreation			
Parks and recreation			
Personal services	95,982	77,015	18,967
Materials and services	118,000	108,094	9,906
Total parks and recreation	213,982	185,109	28,873
Community center			
Personal services	9,747	24,359	(14,612)
Materials and services	67,500	49,395	18,105
Total community center	77,247	73,754	3,493
Sprague theater			
Materials and services	48,100	26,583	21,517
Total culture and recreation	339,329	285,446	53,883
TOTAL EXPENDITURES	2,592,618	2,504,134	88,484
NET REVENUES OVER (UNDER) EXPENDITURES	(206,492)	(77,074)	129,418
OTHER FINANCING SOURCES (USES)			
Transfer from other funds	27,500	27,500	-
Transfer to other funds	(375,145)	(375,145)	-
TOTAL OTHER FINANCING SOURCES (USES)	(347,645)	(347,645)	-

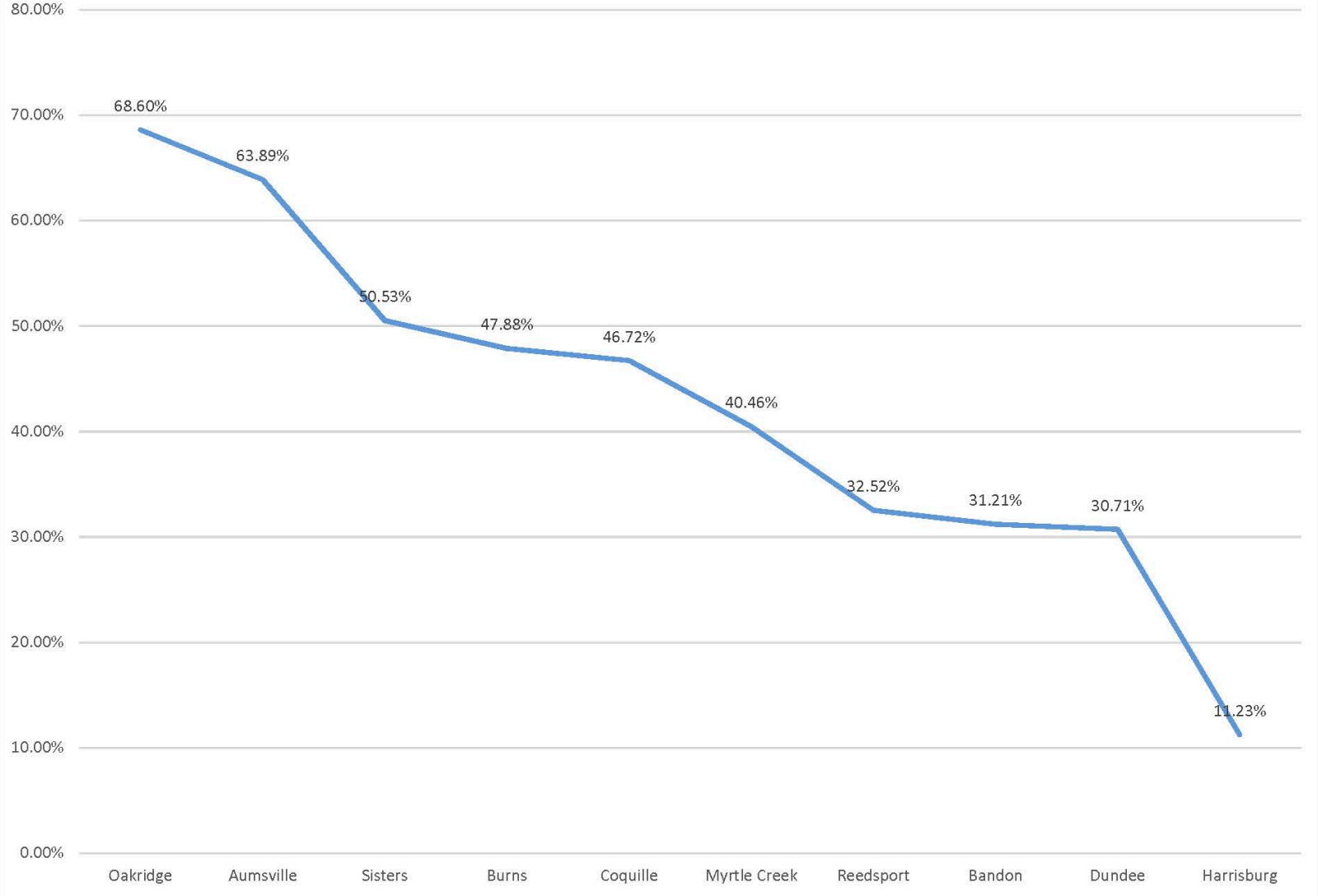
Public Safety cost comparison

- ▶ The public safety cost for each of the other (9) cities was determined.
- ▶ There are various methods for comparing the costs between cities.
- ▶ The method that the City used was to compare the total public safety expenditures to the overall expenditures of Governmental funds.

- ▶
$$\frac{\textit{Total Public Safety Expenditures}}{\textit{Total Governmental Expenditures}} = \% \text{ of burden}$$

- ▶ This yields a percentage which allows comparison across cities.

Public Safety Burden - Cost of public safety as % of all expenditures



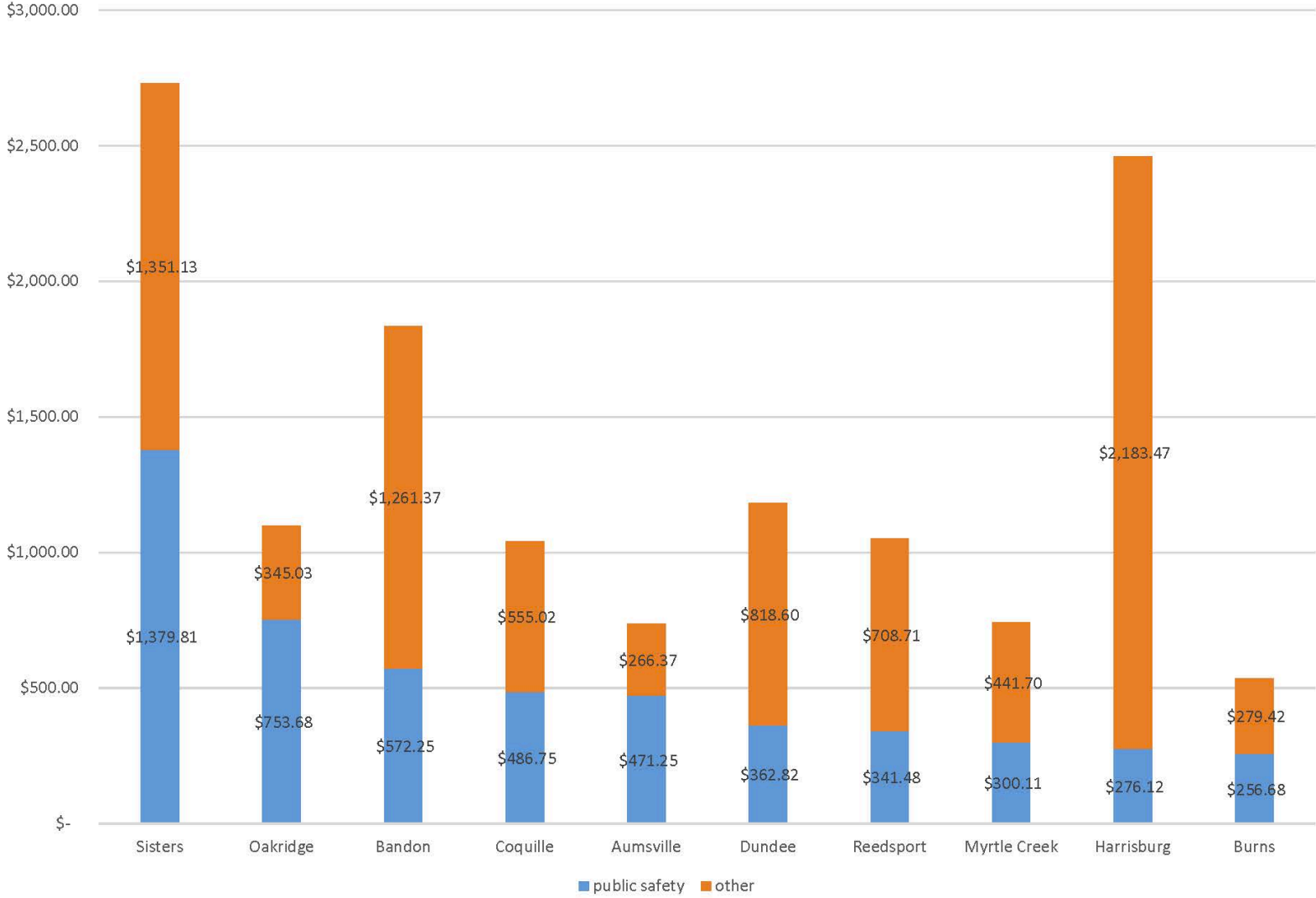
Results and Interpretation

- ▶ Oakridge has the highest percentage of public safety cost of the (10) cities.
- ▶ More than \$680 of every \$1,000 spent by the City, is for Public Safety.
- ▶ If we remove Oakridge, the next highest (Aumsville) and lowest (Harrisburg) percentages, the average that cities of Oakridge's size allocate to public safety is 40%.
- ▶ This high commitment to public safety is perfectly acceptable, if this is what the citizens of Oakridge want and importantly, are willing to fund.
- ▶ Even with a community that is fully committed to public safety at this level, there are still consequences to consider and those will be looked at near the end of this presentation.

Comparing total governmental expenditures to the number of citizens

- ▶ Now we know that more than 68% of the City's expenditures go to public safety.
- ▶ We will look at total governmental expenditures per citizen and what part of that is for public safety.
- ▶ This provides insight into where cities spend resources to serve their citizens.
- ▶ Cities with more resources, have more to spend (expenditures).
- ▶ Cities with lower amounts in the “other” category have less to invest in their other services and their city's infrastructure.

Total City Expenditures per Citizen: Public Safety & All Other



Results and Interpretation

- ▶ (3) Cities have a lot more expenditures per citizen than Oakridge
 - ▶ Sisters: This is for the city of Sisters and Sisters RFPD. The two entities combined receive nearly 4 times as much property tax revenue as Oakridge, and therefore have the resources to spend significantly more on its citizens.
 - ▶ Harrisburg: This is for the city of Harrisburg and Harrisburg RFPD. Harrisburg has a volunteer fire department. The reason the expenditures are so high is because Harrisburg RFPD built a \$6 million Fire house. While the firehouse is used for Public Safety, it is a capital expenditure.
 - ▶ Bandon: This city has \$800,000 allocated in “Culture and Recreation” (Library, Parks, Community Center, Community Beautification, Theater)

- ▶ (3) Cities have expenditures similar to Oakridge:
 - ▶ Coquille, Dundee, and Reedsport all spend similar amounts per citizen but have more allocated to “Other” than Oakridge does.

- ▶ (3) Cities have expenditures that are less than Oakridge
 - ▶ Aumsville: Very similar situation to Oakridge in that 64% of it’s expenditures are on public safety.
 - ▶ Myrtle Creek: Has a volunteer fire department, which allows it to expend more on “other” parts of the city.
 - ▶ Burns: A city that has the lowest expenditures per citizen, has a nearly equal split between the amounts spent on public safety and the “other” category. They employ a small police force and have a volunteer fire department.

Factors that contribute to the high burden

- ▶ Other cities utilize the option to contract Public Safety services
- ▶ Fire Departments in the (10) cities we looked at vary
 - ▶ (6) of the cities are part of a Rural Fire Protection District where revenue and expenditures are shared between towns, cities or areas.
 - ▶ (3) of the cities have volunteer fire departments.
 - ▶ Cities that are close enough to other cities can more easily share ambulance service, or can contract for ambulance service.
 - ▶ Oakridge stands alone with a paid Fire Department for cities our size.
- ▶ Police Departments in the (10) cities we looked at have slight variance
 - ▶ (3) of the cities contract their law enforcement services.
 - ▶ (7) of the cities employ their own police force.

We need more detail, where to find it

- ▶ Each city must publish an adopted budget. Most cities have them as PDF files on their website. We pulled adopted budgets for the (9) cities we are comparing.
- ▶ Budgets can provide a lot more detail than a financial statement.
- ▶ It's possible to separate departments more accurately.
- ▶ It's possible to separate Personnel costs from Materials costs.
- ▶ It's possible to look at just the wages and benefits of each department. This helps in determining the specific costs of items.
- ▶ These budgets specify the number of full time employees (FTE) in each department.

How to read the budget

- ▶ Budgets have a format developed by the State that must be followed.
- ▶ The top section is “Personnel Services”. Everything in this section is related to the costs associated with having paid employees.
 - ▶ Wages & Salaries
 - ▶ Special pay types (overtime, standby, call back, vacation buy out, etc.)
 - ▶ Cost of health and life insurance
 - ▶ Payroll taxes
 - ▶ PERS
 - ▶ Workers comp

How to read the budget, continued

- ▶ The lower section is “Materials and Services”. Everything in this section is related to the items that need to be purchased, to support the employees being able to fulfill their duties.
 - ▶ Utilities
 - ▶ Vehicle maintenance
 - ▶ Building maintenance
 - ▶ Office supplies
 - ▶ Temporary employee cost
 - ▶ Professional services
 - ▶ Training

Adopted Budget, the details

- ▶ We used the personnel services detail to focus on the personnel costs associated with employing full time employees
- ▶ One goal was to get a sense of the costs to employ a police department, specifically the average cost per officer.
- ▶ Another goal was to get a sense of the cost to employ a paid fire department, specifically the average cost per fire fighter.
- ▶ Because the adopted budgets are available for every city, including Oakridge, and each is in the same format, we are able to compare costs accurately.
- ▶
$$\frac{\textit{Total Personnel Services}}{\textit{Total Full Time Equivalent}} = \textit{Average total cost per employee to City}$$

Example: City of Newport, OR. Police Department

CITY OF NEWPORT

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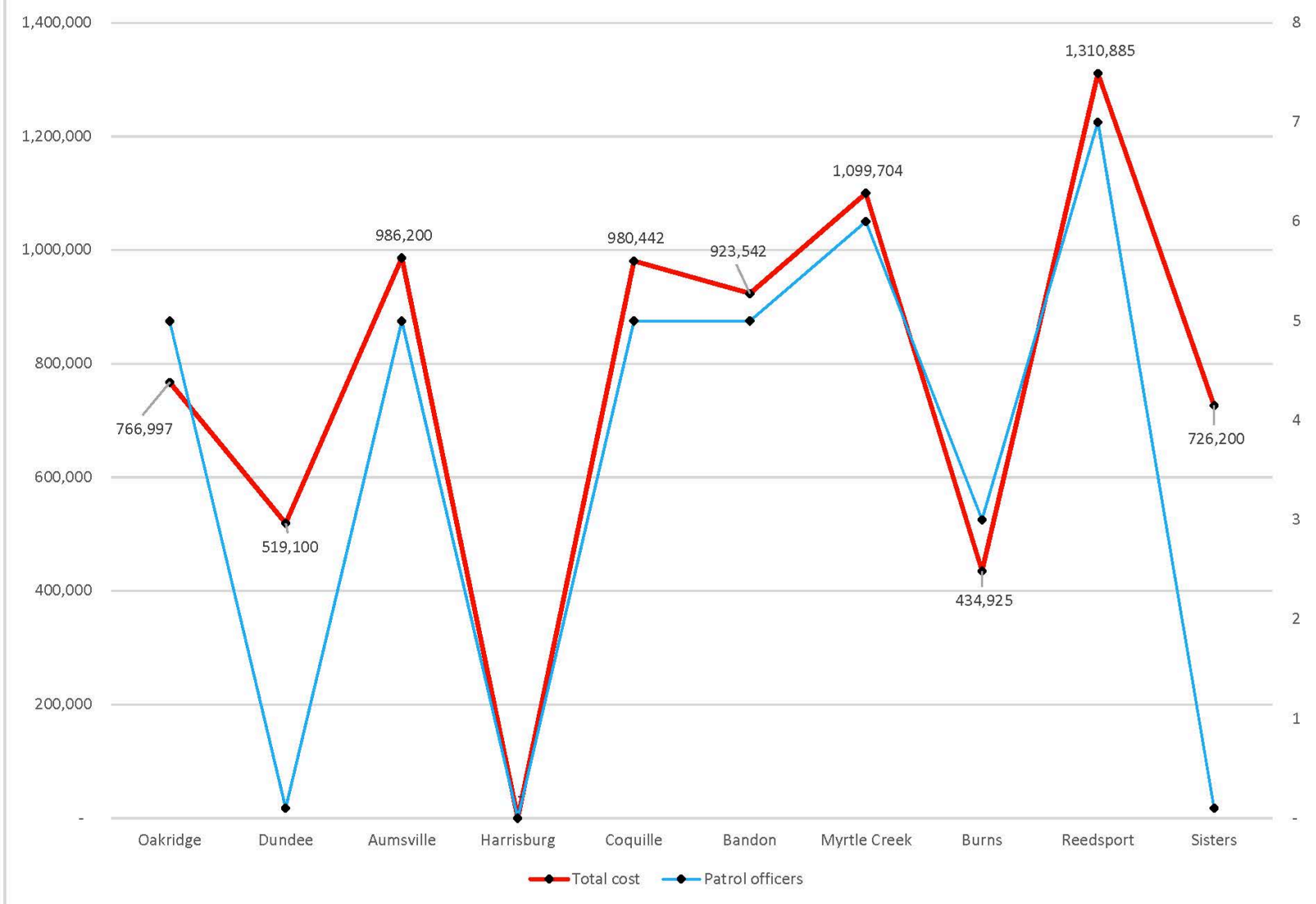
Account No.	Description	FY 2019-2020 Proposed Budget	FY 2019-2020 Approved Budget	FY 2019-2020 Adopted Budget
101-1055-65300	ADVERTISING & MARKETING EXP	-	-	-
101-1055-65400	PRINTING & BINDING	-	-	-
101-1055-66100	OFFICE SUPPLIES	-	-	-
101-1055-66200	POSTAGE/SHIPPING EXPENSES	-	-	-
	TOTAL MATERIAL & SERVICES	-	-	-
TOTAL FINANCE CUSTOMER SERVICE EXPENDITURES		-	-	-
TOTAL ADMINISTRATION EXPENDITURES		2,583,699	2,544,901	2,544,901

POLICE - 1070

PERSONAL SERVICES				
101-1070-50110	WAGES & SALARIES	1,850,503	1,893,259	1,893,259
101-1070-50120	PART TIME/EXTRA HELP WAGES	17,013	17,013	17,013 A
101-1070-50140	CERTIFICATION PAY	23,208	23,208	23,208
101-1070-50150	DETECTIVE PAY	8,000	8,000	8,000
101-1070-50160	K-9 PAY	6,500	6,500	6,500 A
101-1070-50170	COMMUNITY SERVICE PAY	7,250	7,250	7,250
101-1070-50180	LIEU OF HOLIDAY PAY	31,931	33,082	33,082
101-1070-50190	FTO PAY	6,000	6,000	6,000
101-1070-50210	ORPAT PAY	14,000	14,000	14,000
101-1070-51110	OVERTIME	194,000	194,000	194,000
101-1070-52110	INSURANCE BENEFITS	485,737	508,273	508,273
101-1070-52120	FICA EXPENSES	165,117	168,476	168,476
101-1070-52130	RETIREMENT	40,000	43,951	43,951
101-1070-52140	PERS RETIREMENT	513,172	513,172	513,172
101-1070-52150	WORKER'S COMPENSATION	60,041	61,244	61,244
101-1070-52160	UNEMPLOYMENT INSURANCE	2,157	2,201	2,201
	TOTAL PERSONAL SERVICES	3,424,629	3,499,629	3,499,629

Total Personal Services	3,499,629
Less:	
(A) Part time wages	(17,013)
(A) K-9 pay	(7,250)
Total Wages	3,475,366
Total full time equivalent	29.35
Average cost to city for each Police officer	\$118,411

Police: Total Personnel Cost and Number of Patrol Officers



Results: Police

- ▶ The cost of Patrol Officers to all cities was very consistent.
- ▶ The average cost to the cities, for each police officer is \$178,000 per year.
- ▶ Reminder: this is not a police officers wage. It includes all of the benefits and payroll taxes paid on the officers behalf, in addition to wages paid.
- ▶ Oakridge falls below the average cost.
- ▶ Dundee, Harrisburg, and Sisters all contract Police service.

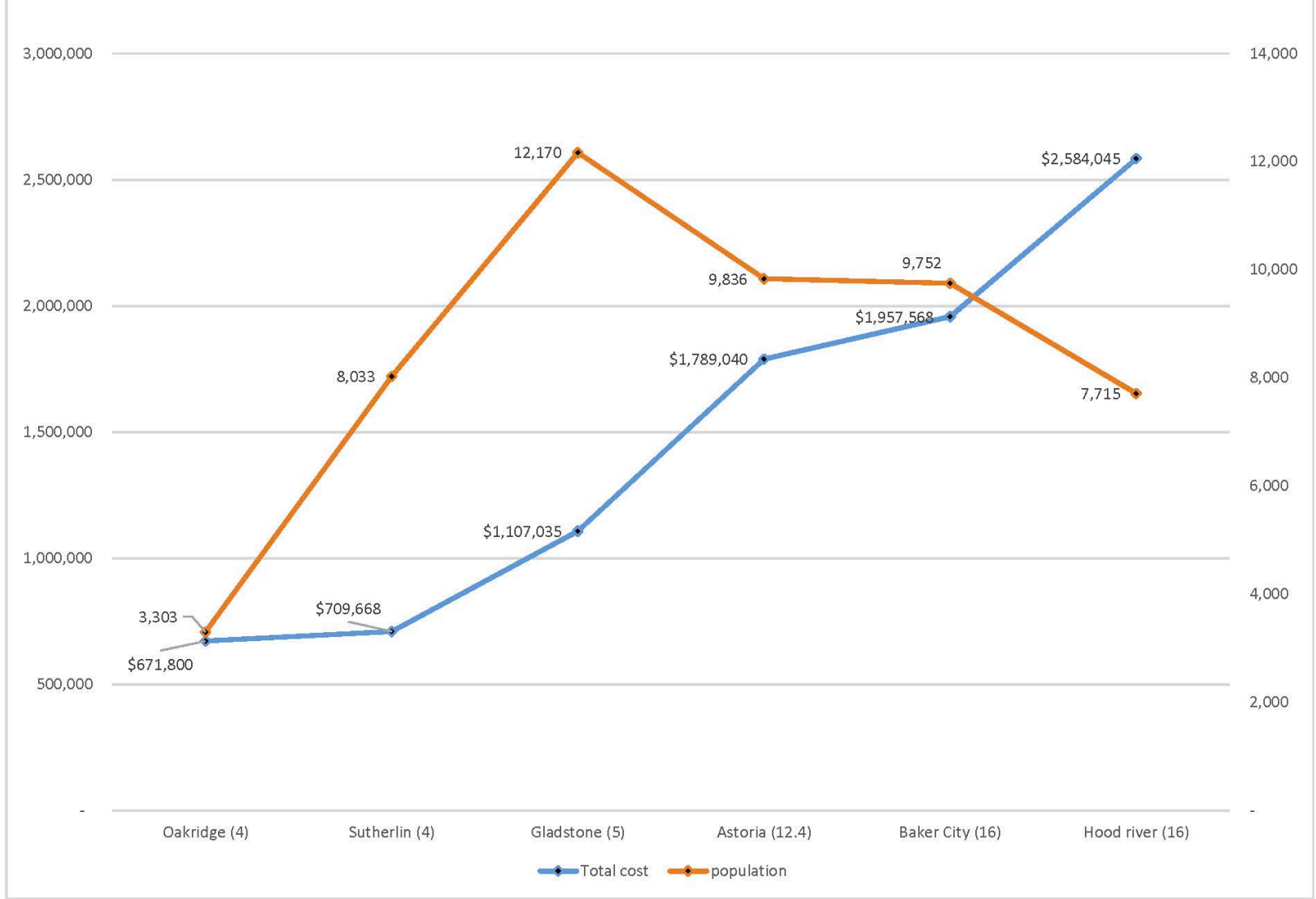
The challenge of comparing the Fire Department

- ▶ Of the (9) cities we chose to examine:
- ▶ Aumsville, Bandon, Coquille, Dundee, Harrisburg, and Sisters all belong to a Rural Fire Protection District (RFPD). The cost of the fire departments, whether they are paid full time or volunteer, are not the cities obligation. We can't compare RFPD costs because we don't know the population they serve.
- ▶ This is important data none the less, as it shows that 60% of the cities our size are able to pool resources with other entities when it comes to fire fighting.
- ▶ Burns, Reedsport, and Myrtle Creek all have volunteer fire departments.
- ▶ This is also important, as it illustrates that 30% of the cities our size utilize a volunteer fire department.
- ▶ Oakridge is the only city that employs paid full time fire fighters in the selection.

A comparison is still needed, what next?

- ▶ It is still important for us to find a method for comparing the costs associated with the Oakridge Fire Department to other cities.
- ▶ We began looking at bigger cities around the State of Oregon that employ full time, paid fire departments.
- ▶ Over 30 financial statements and adopted budgets were reviewed before (5) larger cities were found that could be used to allow comparison.
- ▶ Hood River: Population 7,715 Property tax revenue \$4,892,370
- ▶ Sutherlin: Population 8,033 Property tax revenue \$2,988,087
- ▶ Baker City: Population 9,752 Property tax revenue \$3,248,212
- ▶ Astoria: Population 9,836 Property tax revenue \$7,285,744
- ▶ Gladstone: Population 12,170 Property tax revenue \$6,201,863
- ▶ Oakridge: Population 3,303 Property tax revenue \$1,081,212

Fire Department: Total Personnel Cost, Population, & Number of Fire Fighters



Observations: Fire Department

- ▶ Sutherlin employs (4) full time paid fire fighters, but their property tax revenue is nearly triple that of Oakridge.
- ▶ Hood River spends the most of the (5) bigger cities but also has generous property tax revenue. (Generating approximately \$630 per citizen compared to Oakridge's \$330 per citizen).
- ▶ The average population of these (5) cities is 9,501, triple the size of Oakridge.
- ▶ Generally, Oakridge brings in less than 1/3 the amount of property tax revenue as these bigger cities.
- ▶ Generally, Oakridge's cost to employ a full time fire department is similar to cities who's population is three times our size.

Result: Fire Department

- ▶ The cost to the citizens of Oakridge to employ a full time paid fire department is substantial.
- ▶ The average cost to the cities, for each fire fighter is \$165,700 per year.
- ▶ Reminder: this is not a fire fighters wage. It includes all of the benefits and payroll taxes paid on the employee's behalf, in addition to wages paid.
- ▶ Oakridge is slightly above the average cost.
- ▶ All other cities our size, utilize volunteer fire departments or are part of a RFPD to reduce costs.

Consequences of the high Public Safety burden

- ▶ The commitment to funding the high cost of Public Safety services likely creates financial consequences
- ▶ It is important to look for those consequences and understand how they affect the City
- ▶ The City looked at the Net Investment in Capital Assets of the other cities. This number describes the value of the cities assets
- ▶ Three components make up Net Investment in Capital Assets
- ▶ Cost = the overall cost of the asset
- ▶ Accumulated Depreciation = the portion of the asset that has been “used up”
- ▶ Outstanding loan balance = if purchased on credit, this is the amount of the loan that is still left to pay

Example: Depreciation Expense

- ▶ To figure out the depreciation expense, the cost is spread out over the life of the asset

Cost: \$120,000

Life: 15 years

Depreciation expense: \$8,000 year

- ▶ Each year \$8,000 of the asset is used and the net book value of the asset is reduced by this amount.



Example: Net Investment

Cost

(Accumulated Depreciation)

(Outstanding Loan Balance)

Net Investment in Capital Asset

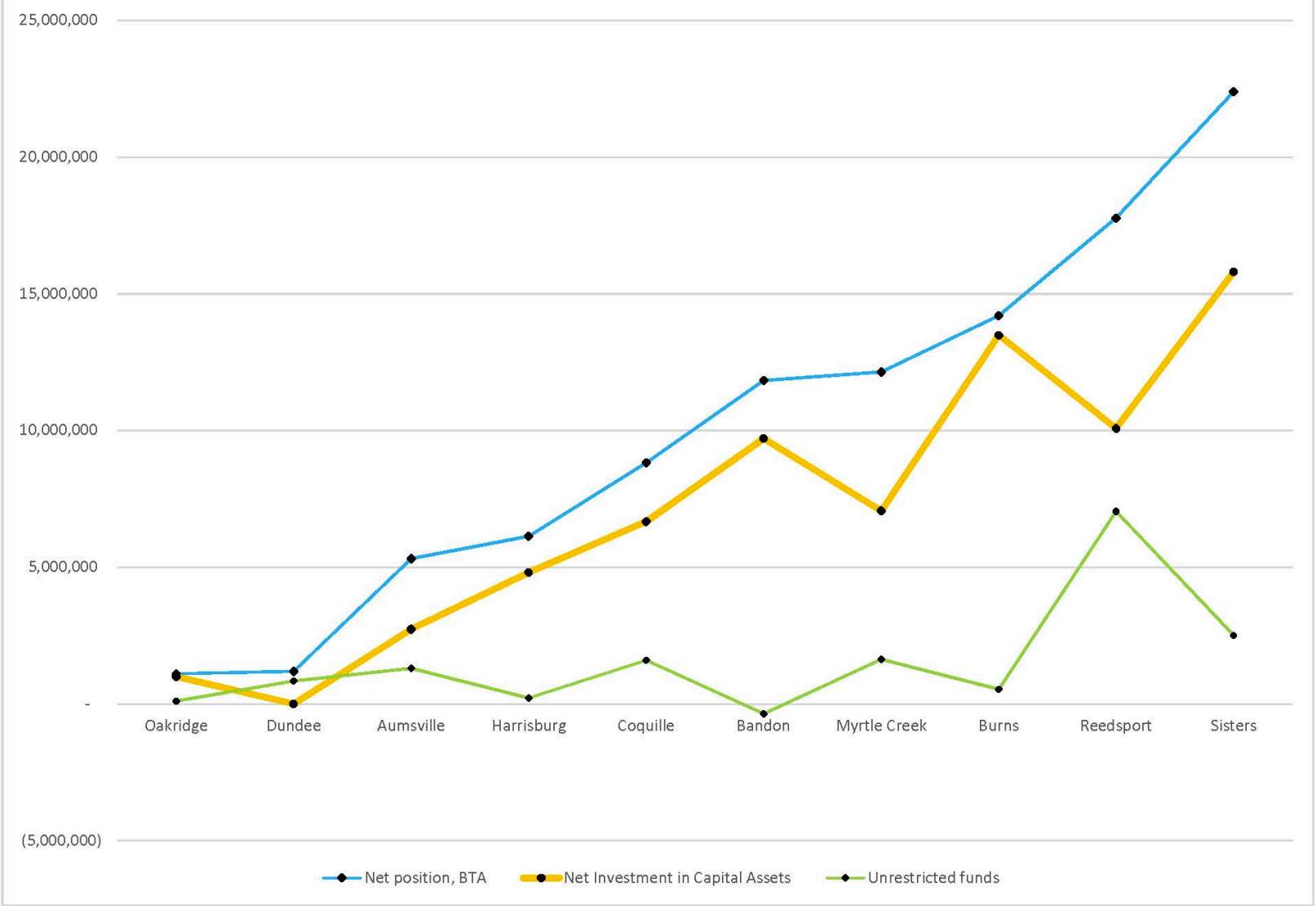
1 year old w/loan	11 year old no loan
\$120,000	\$120,000
(8,000)	(88,000)
<u>(80,000)</u>	<u>(-)</u>
\$32,000	\$32,000



Net Investment in Capital Assets: Comparison

- ▶ Most of Oakridge's resources are spent on public safety
- ▶ That means less is spent in other areas of the city
- ▶ Because capital assets are expensive items, we reviewed the capital asset list. This list details each asset of the City including: cost, accumulated depreciation, and its useful life
- ▶ We could see that there are numerous assets that have surpassed their useful lives
- ▶ We could also see there have been very few assets added over the last decade
- ▶ We compared Oakridge to the other cities to get an idea of how Oakridge compares in its investment in infrastructure, equipment, and vehicles

Net Investment in Capital Assets Analysis of Water, Waste Water, Storm Water - Business Type Activities



Results: Net Investment in Capital Assets

- ▶ The results are pretty clear, Oakridge has low net investment in capital
- ▶ This can be due to (2) things: large loans or assets past their useful lives
- ▶ Oakridge does have some large loans for the infrastructure in the water system
- ▶ There are many assets that are past their useful lives
- ▶ One consequence of being committed to, and paying for, the very high public safety burden is that investing in the infrastructure, equipment and vehicles used by the Water, Waste water, and Storm water funds hasn't occurred
- ▶ The aged assets in the Enterprise funds is a subject that deserves serious consideration as these assets are used to provide clean water to every single citizen, every single day

General Fund: Net Investment in Capital Assets

- ▶ **Buildings: 94% used up**
 - ▶ If we remove the Library and the Fire Station values, 94% of all other buildings have exceeded their useful lives of 50 years
- ▶ **Furniture: 91% used up**
 - ▶ This is all of the desks, chairs, counters, file cabinets, etc. with useful lives of 10 years
- ▶ **Equipment: 85% used up**
 - ▶ This is Fire, Police, and park equipment
- ▶ **Vehicles: 90% used up**
 - ▶ If we remove the pumper truck from the fire department, 90% of all vehicles used by the Police and Fire departments have surpassed their useful lives of 10 years.
- ▶ The majority of the assets listed above have gone past their useful lives

Water Fund: Net Investment in Capital Assets

- ▶ Vehicles: 98% used up
 - ▶ Essentially all vehicles are used up, they have outlived their useful lives
- ▶ Operating Equipment: 88% used up
 - ▶ These are the large equipment assets that the water fund uses to provide clean water
- ▶ Water System: 12% used up
 - ▶ In 2008 a water system improvement of \$2.8 million was completed
 - ▶ In 2019 a tank improvement of \$3.2 million was completed
 - ▶ Loans totaling \$6 million were taken to fund these improvements
- ▶ The majority of the vehicles and equipment listed above have gone past their useful lives

Waste Water Fund: Net Investment in Capital Assets

- ▶ Vehicles: 98% used up
 - ▶ Essentially all vehicles are used up, they have outlived their useful lives
- ▶ Operating Equipment: 95% used up
 - ▶ These are the large equipment assets, most of them past their useful lives
- ▶ Sewer System: 88% used up
 - ▶ The sewer collection system has a useful life of 50 years, the most recent system was installed in 1968. The 50 year life was reached in 2018, the city should be expecting that the elements of the collection system will start failing in the not-so-distant future.
- ▶ The vast majority of the assets listed above have gone past their useful lives

Conclusion

- ▶ The cost to provide the current level of Public Safety service is very high
 - ▶ If the citizens of Oakridge are committed to continuing with this level of service, substantial new revenue sources need to be secured ASAP
 - ▶ This level of service can not be maintained by cutting more expenditures, there simply aren't enough expenditures to cut
- ▶ Using the available resources from the Enterprise funds (Water, Waste Water, and Storm water) to cover Governmental Fund over spending causes serious consequences
 - ▶ The infrastructure that provides clean water, and removes waste water, is past it's useful life and is not being replaced.
 - ▶ If the City is going to rely on incurring debt to replace infrastructure, this will put even greater strain on the City's financial position.